Office of the Legislative Auditor

State of Montana

Report to the Legislature

April 1992

Performance Audit Follow-up

General Services Division

This report contains a follow-up on the recommendations from two 1988 performance audits of General Services Division. Follow-up areas included:

▶ Custodial, Maintenance, and Security Services.

▶ Space Utilization Management.

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92SP-45

PERFORMANCE AUDITS

Performance audits conducted by the Office of the Legislative Auditor are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy. In performing the audit work, the audit staff uses audit standards set forth by the United States General Accounting Office.

Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, statistics, economics, computer science, communications, and engineering.

Performance audits are performed at the request of the Legislative Audit Committee which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of four members of the Senate and four members of the House of Representatives.

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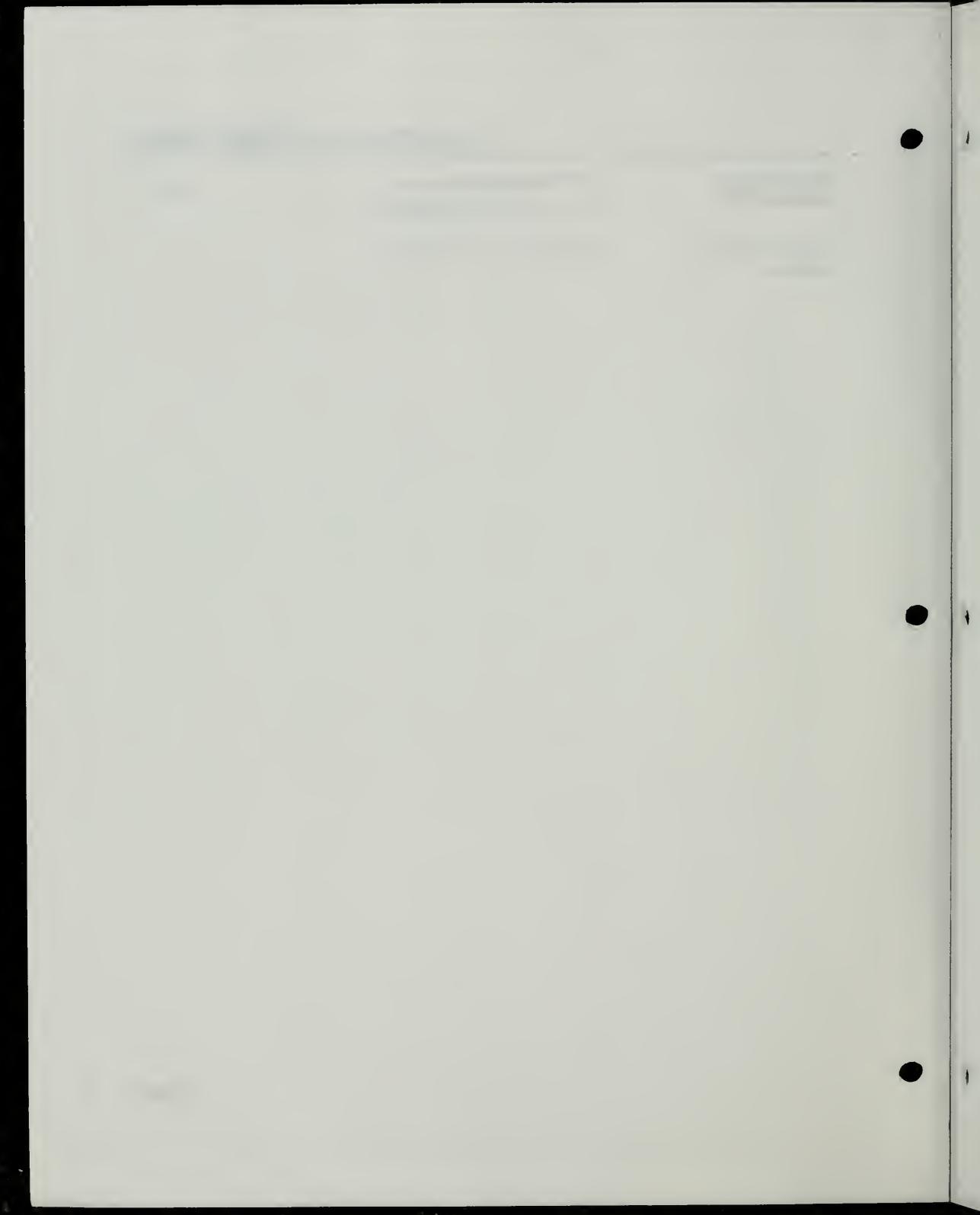
Introduction

We conducted a follow-up on two 1988 performance audits of the Department of Administration's General Services Division (GSD). In 1988, we evaluated the division's custodial, maintenance, and security services. We also examined GSD's involvement in the acquisition and management of state agency office space in Helena.

Background on Previous Audits

Custodial, Maintenance, and Security Services

The purpose of the performance audit of Custodial, Maintenance, and Security Services (87P-41) was to review the adequacy of GSD management controls. Our audit generated eleven recommendations of which the Department of Administration originally concurred with seven. The department did not concur with recommendations to seek statutory clarification of agency custodial responsibility, eliminate two administrative positions, use contracted custodial services, or capture/use actual cost data to bill agencies for work projects. In June 1989, the department provided a written report of its progress in implementing the audit recommendations. The department response indicated concurrence with, and implementation of, two additional recommendations: elimination of two administrative positions, and contracting for custodial services.

Space Utilization Management

The purpose of the performance audit of Space Utilization (88P-43) was to examine existing space utilization by state agencies and the role of the Department of Administration in monitoring utilization. Our one recommendation was to obtain legislative clarification of the department's responsibilities in the space allocation/utilization function. The department agreed more active space management could be beneficial, while pointing out a need for additional resources to support the space management activity. Section 2-17-101, MCA, was amended and now requires the department to determine and allocate space in buildings owned or leased by the state. Agencies are required to notify the department of additional space needs and may not

lease, rent, or purchase property without prior department approval.

Follow-up Scope

We conducted follow-up audit work on GSD's policies and procedures resulting from the recommendations of the prior performance audits. We limited our scope to:

1. Determining janitorial quality and cost effectiveness.
2. Evaluating maintenance management procedures.
3. Determining security quality and cost effectiveness.
4. Evaluating space utilization management.

We assessed whether adequate procedures were developed and used by the division to implement the recommendations. We also considered the accuracy and adequacy of available management information. Two recommendations were addressed by statutory changes. No further follow-up work was necessary in these areas.

Follow-up Summary

Overall, our review shows improvement in GSD's management. Although the division did not formally concur with all recommendations, we believe division personnel have made significant progress in nearly all audit areas. Based on our fieldwork, we determined the following status regarding the 12 recommendations in the two audits.

Table 1
Recommendation Status
(based on follow-up)

Implemented	5
Met intent *	6
Not implemented	1
TOTAL	12

* Based on division actions, the basic intent of a recommendation was met.

Source: Compiled by the Office of the Legislative Auditor.

General Services Division, Custodial, Maintenance, and Security

This section of the report discusses each of the recommendations made in the two 1988 audit reports. Discussion of each recommendation is organized as follows:

1. Recommendation from 1988 audit,
2. Initial department response, and
3. Present implementation status.

Statutory Clarification

Recommendation #1
We recommend the department:

A.   Seek statutory clarification of the law designating the department as custodian of state property.

B.   Seek statutory clarification of geographical limits of General Services Division's jurisdiction.

Initial Department Response
A.   We do not concur. We see no need for change in the law in this area and no benefit to be derived from such a change.

B.   We do not concur. Current laws sufficiently describe the jurisdiction of services offered by General Services Division. Agencies may accept our services if we can provide equal services for less money.

Present Implementation Status
Statutory change implemented the recommendation. The 1989 Legislature revised and clarified the statute relating to departmental jurisdiction. Section 2-17-111, MCA, now designates the Department of Administration as custodian of all state property and provides jurisdiction within a 10-mile radius of the state capitol.

Eliminate Administrative Positions

Recommendation #2
We recommend the Department of Administration eliminate the two administrative officer positions from future budgets.

Recommendation Status

Initial Department Response
We do not concur. The Legislature specifically considered this budget issue last session. They determined the positions are appropriately placed and funded. Security functions are the responsibility of the Department, and these positions perform security functions for the Governor.

Present Implementation Status
Budget change implemented the recommendation. The 1989 Legislature eliminated the two positions from the Department of Administration's budget.

Contract Custodial Services

Recommendation #3
We recommend the department procure contracted custodial services for those buildings currently cleaned by in-house custodial staff.

Initial Department Response
We do not concur. During the last legislative session, the Department's appropriation subcommittee considered contracted services and specifically directed us to keep the in-house custodial staff. We believe it is appropriate to comply with their decision.

Present Implementation Status
The division implemented the recommendation. Prior to July 1, 1989, state buildings on the capitol complex were cleaned by using both in-house and contracted custodial staff. Based on our audit recommendation and further division analysis of in-house services, the department determined there would be a cost savings if GSD contracted custodial services.

Section 2-8-303, MCA, requires GSD to compare actual and anticipated costs for contracted services to projected costs if continued in-house staff were utilized. The division has documented savings of $105,637 for fiscal year 1989-90, $100,317 for fiscal year 1990-91, and projected savings of $147,492 for fiscal year 1991-92 from the use of contracted custodial services. We analyzed division-projected cost savings and verified the accuracy and consistency of the comparison data. Based on our

review, we believe contracted custodial services are cost
effective.

**Increase Monitoring of
Custodial Services**

Recommendation #4
We recommend the division take specific steps to improve the
quality of custodial services through increased monitoring of
services and enforcement of cleaning specifications.

Initial Department Response
We concur and already have increased the monitoring of all
custodial services. A full-time night supervisor inspects the
work of in-house and contracted custodial services.

Present Implementation Status
The division met recommendation intent. Since the change from
in-house to contracted custodial services, the division has signif-
icantly increased monitoring and inspection activity. Our review
indicated GSD officials averaged four inspections of each build-
ing during the past nine months.

Inspection reports reflect division monitoring of both cleaning
standards and the cleaning frequency criteria contained in the
custodial contracts developed by the division. The contracts
allow the division to inspect not only custodial quality, but also
to require contractors to respond within one hour to correct
deficient daily requirements. This procedure is referred to as
"call-back". Our review indicated that while call-back enforce-
ment activity is not documented, the process of calling a
contractor back to correct deficiencies is used. In most cases,
contractor response to formal inspection reports was documented
in division files. Our observations of contractor response to
inspection reports indicated most deficiencies were corrected.

Improvements Could Be Made
The division could improve documentation of existing enforce-
ment activity, especially contractor call-back and division
follow-up resulting from unacceptable performance. Section 18-
4-241, MCA, requires a recent record of failure to perform in
order to remove a contractor from the bidder's list for cause.
The division should document contractor call-backs and division

follow-up to inspection reports to establish a formal record of contractor performance. Additionally, the division should consider development of performance summaries to document the quality of services provided. The documented adequacy of service and workmanship could be used by the division to restrict future bidding by contractors with demonstrated poor performance.

Use of Performance Measures
While custodial monitoring and contract enforcement have increased, we believe custodial quality could be improved. Current contract monitoring and enforcement criteria are not performance measurement oriented. Performance measures can provide incentive and influence contract control. These kinds of contract specifications typically are outlined and agreed to by both parties prior to acceptance of bids.

Under the current system, although most deficiencies are corrected when identified, we do not believe contractors have an incentive to improve the quality of their work. Discussions with several contractors indicated a preference for more specific performance measurement contracts.

As an example of an alternative approach to custodial service contracting, the state of Wisconsin uses both payment incentives and penalties to regulate custodial quality. This approach uses scheduled inspections and inspection checklists to improve service quality. Some federal facilities use scheduled inspec-tions, plus standardized monetary penalties to control unaccept-able performance.

To improve quality of custodial services, GSD could consider using an alternative contracting procedure, such as a perform-ance-based contract, on a test basis. Specifically, the division could use a performance measurement contract with incen-tives/penalties criteria, inspection schedules, and inspection checklists. GSD could initially target a single capitol complex building contract to evaluate the time and fiscal impacts of this approach to contract management.

Formal Work Plans for Maintenance

<u>Recommendation #5</u>
We recommend the division develop formal work plans/procedures for scheduling maintenance.

<u>Initial Department Response</u>
We concur and will implement formal work plans to schedule maintenance work. The formal plan will be implemented by September 1, 1988. We have ordered an APPA manual to use as a guide as suggested in the audit report.

<u>Present Implementation Status</u>
The division met recommendation intent. Previously, maintenance remodeling projects lacked any obvious formal priorities. However, because prior maintenance management responsibilities also included management of custodial and security services, there may not have been adequate time for formal planning of maintenance projects. Although the original audit recommended formal plans/procedures to improve decision-making, the division has not developed written plans or procedures. Instead, through management reorganization, the division realigned job functions, and streamlined the duties of the maintenance manager. This manager is now only responsible for scheduling and monitoring maintenance staff and projects. The informal, but structured process, includes a project scheduling log with job priorities based on management-established priorities and materials/worker availability. Daily management and review allows the division to better plan maintenance projects and increases scheduling flexibility.

Establish Maintenance Monitoring Procedures

<u>Recommendation #6</u>
We recommend the division establish maintenance monitoring procedures which assure timeliness of work completion and provision of efficient and effective services.

<u>Initial Department Response</u>
We concur and will implement new monitoring procedures by September 1, 1988.

Present Implementation Status
The division met recommendation intent. While the division has not developed written monitoring procedures, the realignment of management functions changed the maintenance manager's role. Now, this manager's primary responsibilities are to schedule maintenance projects and staff, and to monitor project status. Additionally, the division architect monitors completed projects for engineering and design quality. The architect's project reports aid in determining project completion and improve scheduling decisions. We believe the division's increased emphasis on monitoring work projects will continue to improve project timeliness and staff effectiveness.

Costs for Remodeling Projects

Recommendation #7
We recommend the division:

A.   Implement procedures necessary to more closely capture actual expenses incurred on remodeling projects.

B.   Use actual expense data to analyze the estimation methodology used to project remodeling costs.

C.   Develop methods to ensure accuracy of rates used for remodeling project estimates and agency billings.

Initial Department Response
A.   We do not concur that a formal system of cost accounting of projects would be feasible or justifiable for the amount of work accomplished each year.

B.   We do not concur. However, we do agree that a couple of projects each year should be monitored as closely as practical to check our estimation methodology.

C.   We concur and have taken steps to ensure that labor rates used in the estimate are current and accurate.

Present Implementation Status
The division met recommendation intent. The division has not implemented formal procedures to capture actual remodeling project expenses. Additionally, the division has not used actual expense data to update its estimation methodology. However, the division now uses a computerized estimation system based on building industry standards. The system uses industry standards

for walls, ceilings, floors, doors, etc., to project construction costs. The division inputs dimensional variables as well as current labor rates and material costs. While the division's methodology for ensuring accurate billing is not based on recording actual cost data, there has been improvement in the individual estimation process steps. These improvements increase assurance billed costs are more reflective of division-incurred expenses.

Improve Inventory Proce-dures

Recommendation #8
We recommend the division improve inventory procedures and records over materials and supplies.

Initial Department Response
We concur. Inventory procedures and records will be improved and implemented for the next physical inventory in July 1988.

Present Implementation Status
The division met recommendation intent. Although formal procedures were not developed, the division improved inventory procedures and records over materials and supplies. Materials, such as tools, lumber and paint, are maintained at relatively secure storage sites. Maintenance staff must now document both receipt and usage of materials removed from the storage sites. Inventories are completed prior to reordering materials. Based upon our observations of materials storage and inventory proce-dures, we believe the inventory management process provides adequate resource control.

Vary Security Patrol Routes

Recommendation #9
We recommend the division establish varying security patrol routes and schedules.

Initial Department Response
We concur. Procedures have been implemented to vary patrol routes and schedules.

<u>Present Implementation Status</u>
The division implemented the recommendation. Under the
provisions of the security services contract, GSD requires the
contractor to vary patrol routes. The division then monitors
patrol route variation through review of key clock tapes and
patrol logs. Our review of the patrol logs and key clock tapes
confirmed patrol routes are varied and there is adequate division
oversight of security activities.

<u>Contracted Security Services Cost Effectiveness</u>
In addition to reviewing patrol route variation, we also examined
the cost effectiveness of contracted security services. The
division began contracting for security services for the capitol
complex in fiscal year 1990-91. The extent of security services
is based on specifications contained in the contract. Division
comparisons for contracted services versus in-house security
show a savings of $57,174 for fiscal year 1991-92. Based on our
review of the division analysis, we believe contracted security
services are cost effective.

**Assignment and Control of
Keys**

<u>Recommendation #10</u>
We recommend:

A.   The division implement a method for accurately record-
        ing assignments of keys to staff and contractors.

B.   The Department of Administration develop and issue
        policies and guidelines to ensure effective key controls
        exist in capitol complex agencies.

<u>Initial Department Response</u>
A.   We concur. The division has implemented a system to
        comply with this recommendation.

B.   We concur. The division has developed a contact person
        for each agency who will be responsible for key control.
        Written policies or guidelines for complex agencies will
        be issued by September 1, 1988.

<u>Present Implementation Status</u>
The division did not implement the recommendation. The
division does not maintain an accurate record of key assignment.

Additionally, the division has not developed or issued policies and guidelines to ensure effective key control.

Policies and Guidelines Are Still Needed
Key control is a "two-sided" issue: one can either use a system which closely controls keys to improve building security or one can have a limited control system which provides relatively easy building access and convenience for employees. In the latter case security is not the major priority. Based on our review of procedures and discussions with personnel throughout the capitol complex, convenience and access have the current priority. As a result, there are minimal controls over issuance of keys to state agencies and there is no centralized inventory of issued keys.

Recognizing the limited control of the current system, we interviewed agency personnel and reviewed security records to assess the levels of theft and vandalism. We determined that while the current approach adds little to security, reported theft and vandalism are minimal.

While the "convenience versus security" issue is currently a matter for each state agencies' management to determine, GSD guidelines are necessary to help agencies assess their needs and make appropriate decisions. GSD should develop and issue formal policies outlining its key control position and the options available to state agencies. Policy should define differences between convenience and security, and make agencies aware of their responsibilities in the determination process. Written guidelines should provide for agency inventory and key request procedures. Increased security options should also be identified. For example, agencies should be aware that re-keying and re-issuing keys for specific buildings and/or doors is relatively inexpensive in both dollars and labor. Formal policies and guidelines of this nature would help agencies customize and define the levels of convenience, security, and key control for their buildings.

**Door and Lock Mainten-
ance**

Recommendation #11
We recommend the division establish an exterior door and lock
maintenance schedule.

Initial Department Response
We concur. A bimonthly maintenance schedule has been
developed and implemented.

Present Implementation Status
The division met recommendation intent. Although the division
developed a bi-monthly door and lock maintenance schedule, it
is no longer used. Since issuance of the audit report, door and
lock systems for the capitol complex have undergone a major
reconfiguration. The number of lock systems has decreased
from fifteen different configurations to one standard system,
with a couple of specific building exceptions. As a result,
necessary lock maintenance and inventories have decreased. A
qualified locksmith can now promptly respond to problems and
conduct limited preventive maintenance. Additionally, security
guards are now an integral part of the door and lock mainte-
nance process because of their daily locking and unlocking of
doors. Due to lock reconfiguration and daily security checks, we
believe the informal process of conducting maintenance on doors
and locks is adequate.

**Space Utilization and
Records Management**

**Revise Property Manage-
ment Statutes**

Recommendation #1
We recommend the legislature revise the property management
statutes concerning the Department of Administration's respon-
sibilities in order to establish an active space allocation/utiliza-
tion function.

Initial Department Response
Your work shows that state office space is being used efficiently.
While our space management function has been rather informal,
it has been effective. We agree that a more formal, active

program would produce even better results. Of course, adding any function requires resources. New resources will be needed or the Legislature will need to revise current responsibilities if they wish to add this function. We look forward to cooperating with your staff in revising the state's property management statutes.

<u>Present Implementation Status</u>
The division implemented the recommendation. Section 2-11-101, MCA, was amended in 1989 and requires the Department of Administration determine agency space requirements, allocate space, and approve agency leases. GSD now has a facility manager responsible for assuring compliance with the statutory requirements. Policies and procedures have been developed and implemented, and agencies are now aware of GSD's authority and responsibilities. According to division officials, during the 18 months since the creation of the facility manager position, there has been a net savings of over $466,000 resulting from re-negotiated rates and a more pro-active approach to space management.

Related Follow-up Area

Management Policies and Procedures

Throughout the prior audit of GSD's custodial, maintenance, and security services, we recommended the division establish and implement formal policies and procedures to govern the provision of services. Although our review has shown the division has not developed formal procedures, changes in organizational structure and management processes have met the intent of most recommendations.

Recognizing the need for continuity should personnel changes occur, GSD management has established milestones for development of formal operating policies and procedures. We believe functional management processes within GSD can be strengthened with the development of policies, and this should remain a division priority.
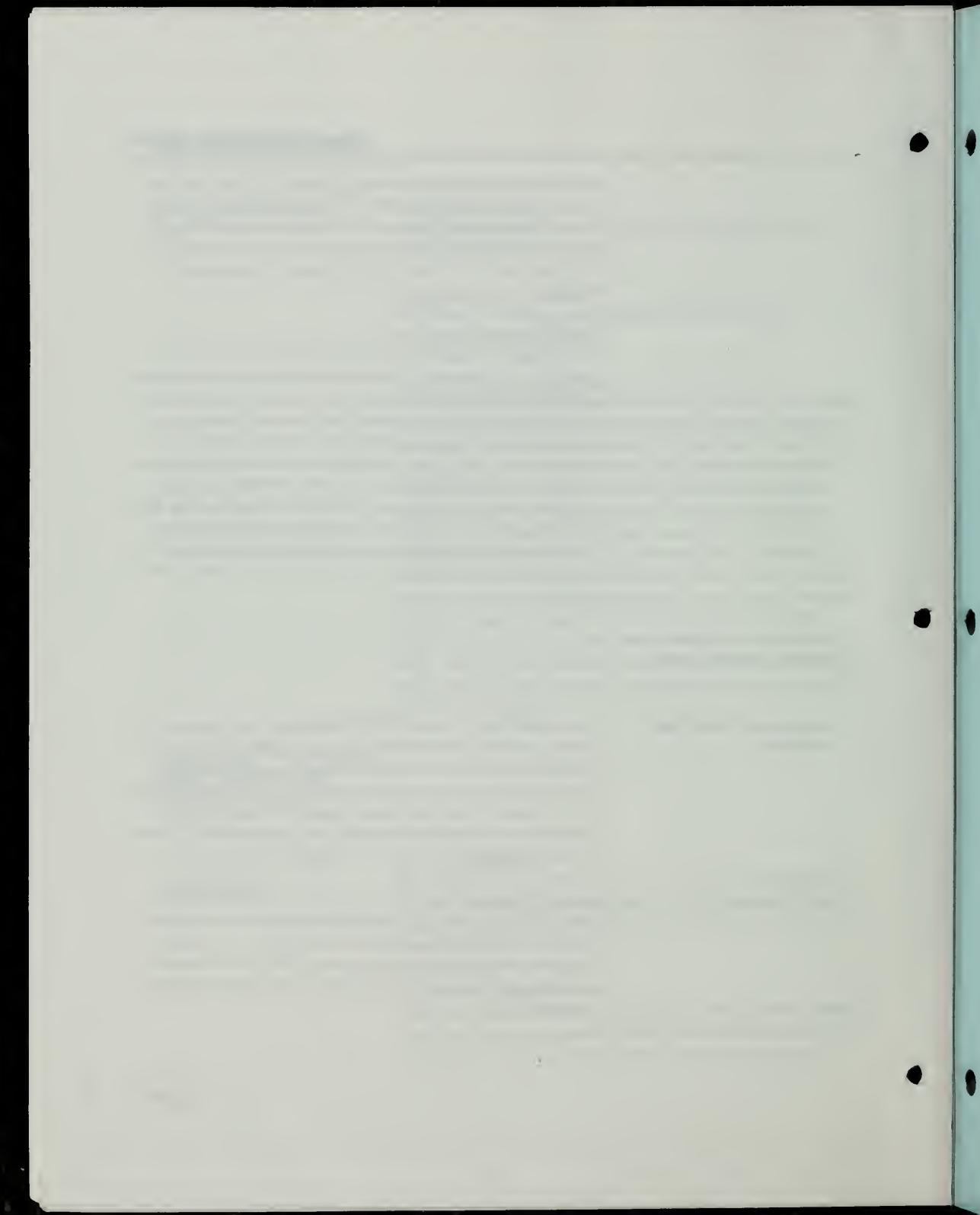
Agency Response

TO: Scott Seacat
           Legislative Auditor

FROM: Bob Marks, Director
           Department of Administration

DATE: March 20, 1992

SUBJECT: GSD Audit

The Department of Administration appreciated the opportunity to
review with the staff of the Legislative Auditor the General
Services Division's implementation of previous audit
recommendations. The work of Tom Cooper and Mike Wingard was
thorough and professional, and we believe that it accurately
portrays the progress that the division is making.

While we generally support the auditor's conclusions, we would
submit the following comments and clarifications for your
consideration:

General Services Division, Custodial, Maintenance, and Security

Recommendation #4

We do not agree that contract enforcement and quality control
require better documentation. Call backs result in work
orders being issued, and the number of work orders is an
indication of performance. The current documentation system
is sufficient to cancel or disqualify non-performing
contractors.

Notwithstanding the comments above, we agree that contract
provisions might be modified to help improve performance, and
are currently researching various performance measures and
compensation penalties for non-performance. Any changes in
this area will have to accomplished without requiring
additional staff time or increases in spending.

Recommendation #7

The division does measure actual costs in two ways:

1. Project estimate sheets are updated at the conclusion of a project. Cost overruns are analyzed and the actual costs are billed to agencies.

2. Project estimates are compared to bid prices for work that is contracted to analyze cost effectiveness.

Recommendation #10

We concur. A key policy was developed as a result of the previous audit recommendation. It was never distributed to agencies or implemented by the division, in large part due to the difficulty of resolving the control/convenience issue the auditor raises. This revised recommendation will allow the division to develop meaningful guidelines for agencies.

Space Utilization Audit

Recommendation #1

While the division did implement a facility management program, it should be noted that it did so without any additional resources. The result is a reduction in the number of personnel available to perform the other duties of the division.

Related Area

The division will have complete policy and procedure manuals in place by September 1, 1992.